



# 18

## POPULAR ANNUAL FINANCIAL REPORT

SAFE, LOW-COST, ABUNDANT, DEPENDABLE, HIGH-QUALITY WATER



**In 2018, Central Arkansas Water added an additional 1,350 acres of conservation lands to promote a healthy watershed and enhance our watershed protection program.**

## A MESSAGE FROM OUR CHIEF FINANCIAL OFFICER

We are pleased to present Central Arkansas Water's (CAW) 2018 Popular Annual Financial Report (PAFR). This report offers an easy-to-read snapshot of CAW's 2018 activities and is part of our continuous effort to enhance customer confidence, experience and understanding. The PAFR includes an unaudited summary of 2018 financial activities and operational milestones.

The financial information presented in this PAFR is derived from CAW's 2018 Comprehensive Annual Financial Report (CAFR), which was prepared in accordance with generally accepted accounting principles and includes financial statements audited by BKD, LLP. An electronic copy of the CAFR is available on the CAW website at [carkw.com/comprehensivefinancialreport](http://carkw.com/comprehensivefinancialreport).

As an organization, CAW saw a busy 2018. One of the main focuses included moving forward with the replacement of our customer information system (CIS). We created a new Pinnacle Project team with members from the Finance, Engineering and Information Services departments to choose and implement a new CIS software. After much research and consideration, the team recommended Cayenta Utilities. The implementation process is planned to continue through 2019 and end in mid-2020.

To promote a healthy watershed, CAW added an additional 1,350 acres of conservation lands in 2018. This included purchases in high-priority riparian areas such as Reece Creek, which is a major tributary of Lake Maumelle, as well as along the Maumelle River which can significantly impact water quality and the life of the Lake Maumelle reservoir.

The CAW Board of Commissioners adopted a Rate Resolution in December 2018 that added a Billing Services Fee to fund the CIS replacement and increased the Watershed Protection Fee to enhance our watershed protection program.

Thank you for your interest in CAW. Follow our progress in 2019 at [carkw.com](http://carkw.com) and stay connected with us via social media. Find us by searching Central Arkansas Water on Facebook and LinkedIn, @CARKW on Twitter and @centralARwater on Instagram.

Sincerely,

A handwritten signature in black ink that reads "Jeffrey B. Mascagni". The signature is written in a cursive, flowing style.

Jeff Mascagni, CPA, CGFM  
Chief Financial Officer



CENTRAL ARKANSAS WATER IS

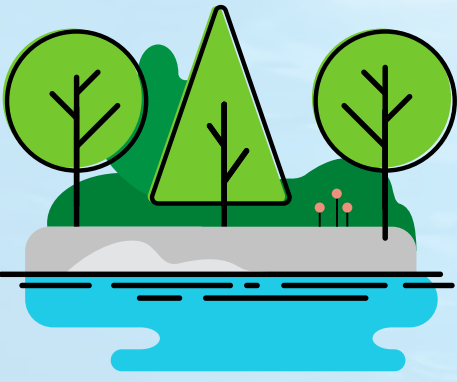
**HIGH-PERFORMING**  
**INNOVATIVE**  
**VALUES-DRIVEN**  
**INFORMED**  
**PASSIONATE**

CENTRAL ARKANSAS WATER  
**FROM FORESTS  
TO FAUCETS**



1

Rain falls over 100,000 acres of forest, which naturally filters the water before reaching Lake Maumelle and Lake Winona. This first step helps ensure water quality.



2

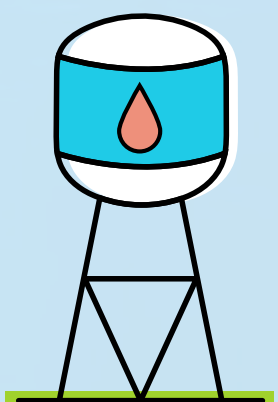
Water from those lakes flows to our Wilson and Ozark Treatment Plants which treat an average of 60 million gallons each day.

4

We deliver safe, low-cost, abundant, dependable, high-quality water to over 450K consumers in 7 counties.

3

Treated water is distributed through more than 2,500 miles of water lines to 30 storage tanks throughout our system.



# CAW OPERATIONS BY THE NUMBERS

CAW's mission is to enhance the quality of life for Central Arkansas by delivering high-quality water and dependable service that exceed customer expectations, protecting and ensuring a long-term water supply for future generations, and serving as responsible stewards of public health, utility resources, and the environment. Below is a glimpse of what CAW's employees did in 2018 to achieve our mission and contribute to our success as a water utility.

▶ **14%**

Utility customers enrolled in paperless billing

▶ **3,600**

Safety training hours

▶ **121,000**

Distribution work orders completed

▶ **29,000**

Feet of 2-inch galvanized pipe replaced

▶ **12**

Lead services remaining at the end of 2018  
(164 at the beginning of project)

▶ **10,230**

Maumelle service area meter change-outs

▶ **23**

Miles of public water mains installed and/or replaced

▶ **7**

Miles of private water mains installed

▶ **6**

Miles of water mains retired

▶ **\$25 MILLION**

Water revenue bonds issued

▶ **67,000**

Customer payments received by CAW cashiers

▶ **85,000**

Water quality analyses conducted

▶ **505**

Acres burned in prescribed burns

▶ **1,356**

Acres of conservation lands purchased  
in the CAW watershed

VISIT [CARKW.COM](http://CARKW.COM) TO VIEW A MAP OF CAW'S FULL SERVICE AREA

# STRATEGIC PLANNING TEAM

## BOARD OF COMMISSIONERS

Carmen Smith, *Chair*

Kandi Hughes, *Vice Chair*

Eddie Powell, *Secretary/Treasurer*

Jay Hartman, *Commissioner*

Anthony Kendall, *Commissioner*

Jim McKenzie, *Commissioner*

Roby Robertson, Ph.D., *Commissioner*

## STAFF

C. Tad Bohannon, J.D., LL.M., *Chief Executive Officer*

Thad Luther, P.E., BCEE, *Chief Operating Officer*

David Johnson, J.D., *General Counsel*

Jeff Mascagni, CPA, CFGM, *Chief Financial Officer*

Jeremy Sparks, CCMP, *Chief Innovation Officer*

Blake Weindorf, P.E., BCEE, *Director of Distribution*

Jim Ferguson, P.E., *Director of Engineering*

Kevin Hall, *Director of Environmental Health and Safety*

Glenda Bunch, SHRM-SCP, SPHR, *Director of Human Resources*

Allen Vincent, *Director of Information Services*

Douglas Shackelford, *Director of Public Affairs*

Sam Zehtaban, *Director of Water Production*

Randy Easley, *Director of Water Quality*





Government Finance Officers Association

**Award for  
Outstanding  
Achievement in  
Popular Annual  
Financial Reporting**

Presented to

**Central Arkansas Water**

For its Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2017**

*Christopher P. Morrill*

Executive Director/CEO



CAW SERVES A POPULATION  
**OF APPROXIMATELY 450,000**  
IN SEVEN CENTRAL ARKANSAS COUNTIES

**WORLD  
CLASS  
SERVICE**

**DELIVERED  
EVERY DAY**

CENTRAL ARKANSAS WATER  
**CUSTOMERS**

RESIDENTIAL 118K

COMMERICAL 12K

SPRINKLERS 4K

OTHER 2K

**61 MILLION  
GALLONS OF WATER**

**ARE PRODUCED EVERY DAY**





## eBILLING SERVICE OPTIONS AVAILABLE



TEXT



AUTODRAFT



ONLINE

 **15.5**  
**THOUSAND**  
**AVERAGE**

CALL VOLUME PER MONTH

### 2018 BUDGET

OPERATIONS & MAINTENANCE  
**\$45.2 MILLION**

CAPITAL IMPROVEMENTS  
**\$28.8 MILLION**

DEBT SERVICE  
**\$11.2 MILLION**

# CONNECT WITH US ELECTRONICALLY





## SUPPORTING THE COMMUNITIES WE SERVE

CAW is a strong supporter of our communities and takes our commitment to be involved seriously. Our team members can always be found in a neighborhood, at a community event, fundraiser or educational initiative promoting quality of life, exceptional service and science, technology, engineering and mathematics (STEM) education.

CAW promotes a healthy lifestyle through numerous sponsorships and partnerships including with the Little Rock Marathon and the Omega Psi Fraternity Colon Cancer Awareness 5K. Employees participate in the runs and man aid stations where they serve some of the best water in the country to participants.

Community partnerships also include our business partnerships. We pride ourselves in keeping good relations with the numerous contractors, vendors and government officials with whom we work daily to deliver exceptional service to our customers.

CAW also conducts numerous educational events throughout the year, including two Forests to Faucets festivals for fifth grade students where they engage in hands-on learning, encouraging them to pursue STEM careers. We also build community ambassadors with bi-annual Citizens' Water Academies and tailored tours to groups, businesses and schools.

We continue to impact children by participating in the Martin Luther King Elementary School "MLK Reads" tutoring program in Little Rock. Employees go to the school once per week to tutor a student, watching them grow throughout the school year. The one-on-one time not only improves the students' reading level, but also inspires confidence and provides an example of positive role model relationships.



## HIGH QUALITY FOR LOW COST

CAW is proud to offer one of the lowest water rates in the country. According to the 2018 Annual Rate Survey conducted by Memphis Light, Gas, and Water (MLGW), CAW had the fourth lowest water rate of those cities included in the survey. MLGW began collecting rate data in the 1990s, and CAW has participated in this survey since 1991 (as the former Little Rock Municipal Water Works/North Little Rock Water Department). This survey has included cities from all over the United States (U.S.), including those that are geographically close to CAW, such as Oklahoma City, OK; Louisville, KY; and Huntsville, AL, as well as some of the largest metropolitan areas in the U.S.—New York City, Los Angeles, Atlanta and Houston. As seen in the table below, Little Rock provides a great service for its customers: high-quality water for a low cost.

### 2018 UTILITY RATE CAMPARISONS

CITY, STATE	COMPANY	5CCF	10CCF	15CCF
Orlando, FL	Orlando Utilities Commission	\$10.48	\$13.71	\$20.07
Phoenix, AZ	City of Phoenix	\$6.90	\$17.26	\$36.66
Memphis, TN	Memphis, Light, Gas & Water	\$9.18	\$18.36	\$27.54
<b>Little Rock, AR</b>	<b>Central Arkansas Water</b>	<b>\$12.98</b>	<b>\$21.53</b>	<b>\$30.08</b>
Nashville, TN	Metro Water Services	\$10.12	\$21.77	\$33.42
Salt Lake City, UT	Salt Lake City Public Utilities	\$16.01	\$22.51	\$29.01
Huntsville, AL	Huntsville Utilities	\$17.59	\$24.28	\$31.43
Miami, FL	Miami-Dade Water and Sewer Department	\$8.05	\$25.29	\$44.57
St. Louis, MO	City of St. Louis Water Division	\$16.80	\$25.65	\$34.50
Dallax, TX	Dallas Water Utilities	\$13.01	\$26.03	\$45.25

The tables on the two following pages that present the Statement of Net Position and the Statement of Revenue, Expenses, and Changes in Net Position further explain the financial condition of Central Arkansas Water at the end of fiscal year 2018.

## STATEMENT OF NET POSITION • DECEMBER 31, 2018 &amp; 2017

ASSETS	FY 2018	FY 2017
Current Unrestricted Assets	50,565,033	49,329,914
Current Restricted Assets	11,611,545	10,717,882
Noncurrent Assets	462,022,759	428,655,739
<b>Total Assets</b>	<b>524,199,337</b>	<b>488,703,535</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Total Deferred Outflows Of Resources</b>	<b>10,000,052</b>	<b>13,580,168</b>
<b>LIABILITIES</b>		
Current Unrestricted Liabilities	14,895,171	12,481,849
Current Restricted Liabilities	11,611,545	10,717,882
Noncurrent Liabilities	140,519,552	125,598,014
<b>Total Liabilities</b>	<b>167,026,268</b>	<b>148,797,745</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
<b>Total Deferred Inflows Of Resources</b>	<b>4,141,882</b>	<b>1,133,350</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	348,267,555	337,464,890
Restricted	10,517,702	9,093,843
Unrestricted	4,245,982	5,793,875
<b>Total Net Position</b>	<b>363,031,239</b>	<b>352,352,608</b>

**To help you better understand these terms, we've provided the following definitions:**

**Adjustment for Adoption of GASB 75** is the adjustment made retroactively to 2017 financial statements to account for CAW's Other Post-Employment Benefit Plan.

**Assets** are resources with present service capacity that CAW currently controls.

**Change in Net Position** is the difference between revenues and expenses, which is similar to Net Income in a for-profit business.

**12 Current Assets** are assets that can be converted to cash, sold or consumed within one year of the financial statement date.

**Current Liabilities** are debts that are due within one year of the financial statement date.

**Deferred Inflows of Resources** are an acquisition of net position by CAW that is applicable to a reporting period later than 2018.

**Deferred Outflows of Resources** are a consumption of net position by CAW that is applicable to a reporting period later than 2018.

**Gain on Disposal of Capital Assets** is the excess amount received over the current cost of an asset.

**Liabilities** are debt of CAW to sacrifice resources that it has little or no discretion to avoid.

## STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION • DECEMBER 31, 2018 & 2017

	FY 2018	FY 2017
Operating Revenues	66,920,407	61,834,248
Operating Expenses	56,910,538	56,044,649
Operating Income	10,009,869	5,789,599
Transfers to Cities of Little Rock / North Little Rock	(709,068)	(706,716)
Gain on Disposal of Capital Assets	(17,965)	70,231
Investment Income, Net	846,878	413,111
Bond and Other Interest Expense	(2,031,574)	(2,043,741)
Net Income Before Contributions and Special Items	8,098,140	3,522,484
Contributions	2,580,491	2,442,052
Change in Net Position	10,678,631	5,964,536
Total Net Position, Beginning	352,352,608	358,763,813
Adjustment for Adoption of GASB 75	0	(12,375,741)
Total Net Position, Ending	363,031,239	352,352,608

**Net Investment in Capital Assets** consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt that was used to purchase, construct, or improve those assets.

**Net Position** is the residual of all other elements presented in a Statement of Net Position. This is similar to Equity in a for-profit business.

**Operating Expenses** are costs that occur as a result of the day-to-day operations. These expenses include payroll, materials, and repairs.

**Operating Revenues** are revenues that occur due to normal operations. This included water sales, fees, and billing service fees.

**Restricted Net Position** consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

**Restricted Resources** are those resources that can be used only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

**Statement of Net Position** is a statement of the financial position of a governmental entity. It is similar to a Balance Sheet in a for-profit business.

**Transfers to Cities of Little Rock and North Little Rock** are payments made to the cities in lieu of property taxes.

**Unrestricted Net Position** is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources not included in the Net Investment of Capital Assets or Restricted Net Position.

## REVENUES & EXPENSES

### WHERE THE MONEY COMES FROM

Total operating revenues for 2018 were \$66,920,000. A retail rate increase of 8.9% went into effect on January 1, 2018, which aided the \$5,086,000 increase in revenues from 2017. The 2018 increase in operating revenue was also helped by a five percent (5%) increase in consumption from 2017. As evidenced in the graph on the following page, Little Rock water sales accounted for over half of the operating revenue for 2018. North Little Rock water sales and ancillary charges, with 22.4% and 10.1%, respectively, were the next largest segments of operating revenue.

### WHERE THE MONEY GOES

CAW had operating expenses of \$56,911,000 during 2018. Operating expenses were \$865,000 higher than in 2017. Increased personnel costs offset by lower workers' compensation costs were the main causes of the increase. The Distribution Department amassed the largest percentage of expenses for the year with 26.3%, with depreciation expense being a close second with 22.3% of total operating cost.

## CAPITAL ASSETS & DEBT

### WHAT WE OWN

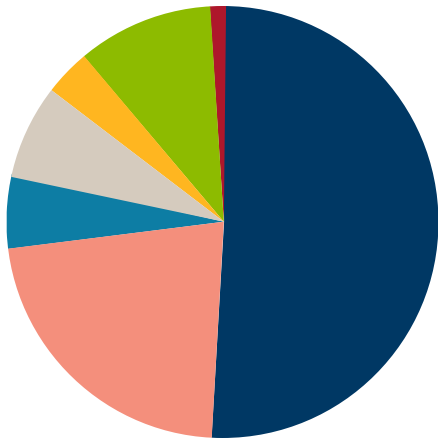
Capital assets represent 82.1% of CAW's total assets. The amount of capital assets grew over \$19 million dollars from 2017 to 2018. Additional acreage in the Lake Maumelle watershed was acquired for \$10 million dollars during 2018. Renovations to both the Ozark Point and Wilson Treatment Plants contributed another \$4 million dollars, while the bulk of the remaining \$6 million dollars was spent on the installation and/or replacement of 23 miles of public water mains and the installation of 7 miles of private water mains.

### WHAT WE OWE

CAW began 2018 with an outstanding debt balance (excluding the 2016 Construction and Acquisition Water Revenue bonds) of \$65,799,000. Three new bond issues in 2018 raised the ending balance to \$88,337,000. Despite a slight increase in number of customers in 2018, the outstanding debt amount per customer increased from \$487 in 2017 to \$649 in 2018 with the increased outstanding debt balance.

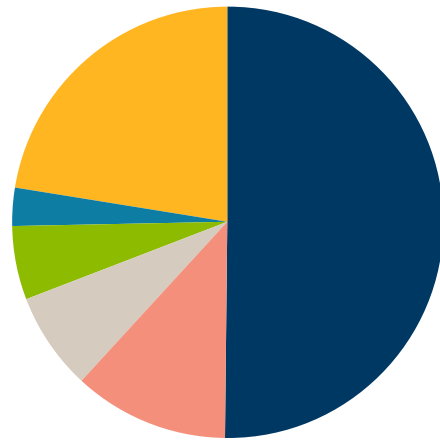
**CAW saw an increase of \$5,806,000 in total operating revenues for 2018.**

### 2018 REVENUES BY CATEGORY



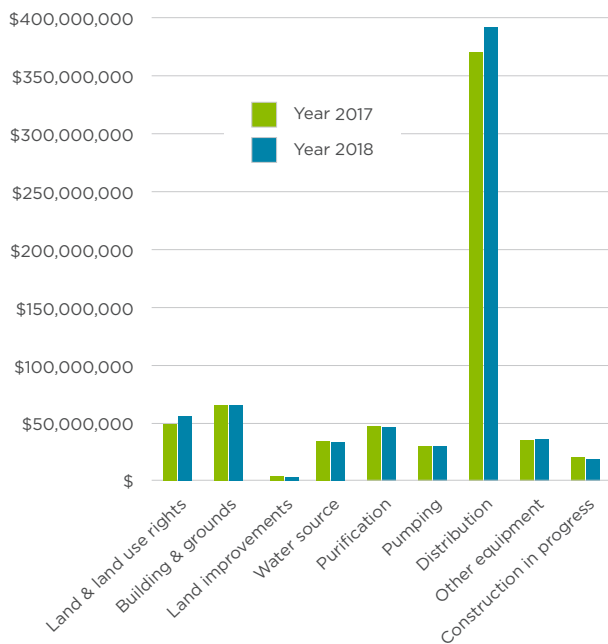
- Little Rock Water Sales
- North Little Rock Water Sales
- Maumelle Water Sales
- Wholesale Water Sales
- Penalties and Turn-On Charges
- Ancillary Charges
- Other Revenue

### 2018 EXPENSES BY NATURAL CLASSIFICATION

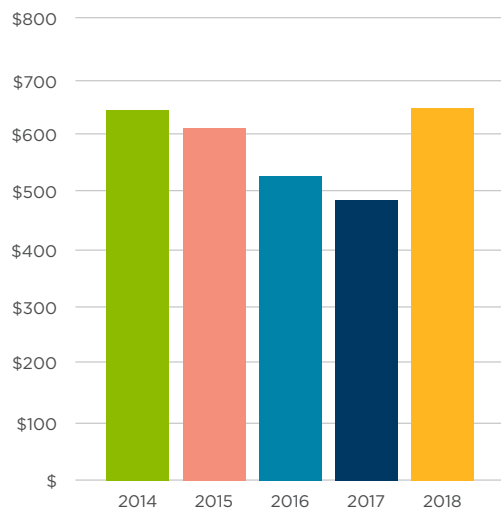


- Labor and Benefits
- Materials, Supplies and Maintenance
- Electric and Other Utilities
- Contract Services
- Chemicals
- Transition Cost—MWM
- Depreciation

### SUMMARY OF CAPITAL ASSETS (2017 – 2018)



### TOTAL OUTSTANDING DEBT PER CUSTOMER (2014 – 2018)





## CAW AWARDS 2001 - 2018

Gold Award for Exceptional Utility Performance, AMWA, 2001  
America's Crown Communities Award, National League of Cities, 2001  
Big Heart Award, Watershed Human and Community Development Agency, 2005  
Public Agency of the Year, Sierra Club of Arkansas, 2006  
The International Davey Award, 2012  
Platinum Award for Utility Excellence, AMWA, 2012  
Jack Evans Regional Leadership Award, Metroplan, 2012  
Diversity Award, AWWA, 2013  
Leadership in Fitness Award, AR Governor's Council on Fitness and Baptist Health, 2013  
Best Tasting Drinking Water, Central District AWW&WEA, 2014 - 2015  
Government Recycler of the Year Award, Arkansas Recycling Coalition, 2015  
Sustainable Water Utility Management Award, AMWA, 2015  
Best Tasting Drinking Water in Arkansas AWW&WEA, 2018  
GFOA Certificate of Achievement for Excellence in Financial Reporting, 9 years  
GFOA Distinguished Budget Presentation Award, 9 years  
GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting, 2018  
Outstanding Performance Award, Arkansas Workers' Compensation Commission, 15 years

## CAW STAFF AWARDS 2001 - 2018

### GLEN T. KELLOGG LEADERSHIP AWARD RECIPIENTS

Fred Glover, 2001	Marie Crawford, 2007
Steve Morgan, 2002	Robert Hart, 2012
Bruno Kirsch, Jr., 2006	Dale Kimbrow, 2014
Ron Brown, 2006	Blake Weindorf, 2016

### WATER MANAGER OF THE YEAR, AWW&WEA, 2017

Terry Bice

### PURCHASING MANAGER OF THE YEAR, NIGP, 2016

Elizabeth Tuck-Rowan

### SAFETY PROFESSIONAL OF THE YEAR, AWEA, 2014

Robert Martin

### STEM PROFESSIONAL EDUCATOR OF THE YEAR, UALR, 2018

Jane Hurley

### EDWARD J. ERXLEBEN AWARD, NIGP, 2018

Elizabeth Tuck-Rowan



221 East Capitol Avenue | P. O. Box 1789 | Little Rock, AR 72203

[carkw.com](http://carkw.com)